



HOUSE BILL 7: LRC/Strengthen Savings Reserve.

2017-2018 General Assembly

Committee:	House Appropriations	Date:	February 8, 2017
Introduced by:	Reps. Dollar, McGrady, Arp, B. Richardson	Prepared by:	Committee Staff
Analysis of:	First Edition		

Highlights

- Provides that the Governor's Recommended State Budget must include a transfer to the Savings Reserve of **15% of the estimated growth in State tax revenues** for each fiscal year of the upcoming biennium.
- Provides that each Current Appropriations Act enacted must transfer to the Savings Reserve **15% of each fiscal year's estimated growth in State tax revenues**. (But, if that transfer would cause the balance of the Reserve to exceed the recommended Savings Reserve balance, then the amount transferred will be reduced.)
- Upon appropriation by **majority** vote, funds reserved to the Savings Reserve will be available for expenditure in an aggregate amount that **does not exceed 7.5%** of the prior fiscal year's General Fund net appropriations operating budget, but **only** to: (i) cover a decline in General Fund revenue from one fiscal year to another, (ii) cover the difference between that fiscal year's base budget needs and projected revenue, (iii) pay costs imposed by a court or administrative order, or (iv) provide relief and assistance from the effects of an emergency.
- Upon appropriation by **two thirds vote**, the funds may be used in an aggregate amount that **exceeds 7.5%** for any of the purposes set forth in (i) through (iv) above **OR** for a purpose not set forth therein.
- OSBM and FRD will **estimate the target for the Savings Reserve balance**, which shall be calculated to be sufficient to **cover two years of need for nine out of 10 scenarios involving a decline** in General Fund revenue from one fiscal year to the next fiscal year.
- The target balance estimate will be based upon an evaluation of the adequacy of the Savings Reserve based on the volatility of North Carolina's General Fund tax structure. **Target balance will be expressed as a percentage of the prior year General Fund net appropriations operating budget**. OSBM shall report this percentage to the Chairs of the House of Representatives and Senate Appropriations and Finance Committees no later than February 1 of each year. OSBM and FRD may revise the methodology as needed.

Kory Goldsmith
Director



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- When general obligation bonds or special indebtedness are issued or refinanced, any **savings generated are to be placed in the Savings Reserve** if the balance is below the recommended balance.
- The intent is for the **2019 General Assembly** to evaluate whether these changes have maintained sufficient reserves to address unanticipated events and circumstances.